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Editor's Notes: Points In Time

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Points In Time

"At this point in time," the term paper reads, "accounting standards are too complicated." So is the sophomore's grammar. "At this point in time" is redundant, implying an infallible, almost oracular statement to follow and is much favored by students, politicians and others who aren't sure of their facts. An economical "at this time" says it with assurance and grace. So does "at this point" if the writer has established that the reader is to consider time and not space.

Time considerations, however, are twisted with uncertainty. Perhaps the naivete of "this point in time" shouldn't be so quickly scorned after all because simplistic minds do have intuitive awareness of the flowing, indivisible, unstoppable concept of time. In reaching for boundaries they cautiously overbuild the fences.

Accountants have a precarious truce with time concepts which starts as early as the introductory course of instruction. The novice must accept a cut-off date for financial statements but it isn't easy to think of dollars being owed to the company on January 31 when the February 2 cash journal shows that the customer has paid the bill in full. And when is an asset not an asset? "When it is no longer a source of future service," says the pedant. A dead battery in the car on a sub-zero morning is a pertinence more chilling than the academic language, but both are linked to the passage of time.

Things have been warping, rotting, rusting, evaporating, losing their cutting edge, leaking and falling over ever since the Iron Age but depreciation was not a clear concept in the literature of accounting before 1800. In the latter part of the nineteenth century regular appraisals, the inventory method, did acknowledge that time had made its mark and the productive assets were no longer as good as new. Before the 1900s only the more sophisticated businesses adopted a regular deduction of a percentage of the cost of assets.

Time oriented accounting measurement is tangled with the solar system's indifference to the numbering systems of humankind. Divisions of earth time never quite work out with the numbers of commerce because the 365 days, 5 hours, 48 minutes and 46 seconds that our world requires to revolve about the sun do not divide neatly by ten, or twelve, or any other whole number except one. Banks have tried a thirteen month calendar with scarcely any efficiency over the twelve months that approximate the periods from new moon to new moon. Back in 432 B.C. the Greeks adopted a nineteen year cycle because in that length of time lunar cycles and solar cycles became synchronized again, and the system was so popular that it was engraved in gold upon a tablet in Athens. If golden cycles were still in use might we be amortizing intangible assets in not more than two (2 x 19) golden periods?

We are in January because that was what the Romans named the time that followed the winter solstice when the sun appeared to start toward the earth again and agriculture could foresee a fresh start. Janus, the Roman god of beginnings, looked forward and backward which is consistent with time itself. He would have smiled knowingly at the accounting professions debate about the components of net income: should income generation be shown as having origins in this year only, or should last year's decisions and exogenous events be disclosed? Can we consider an event as recurring, or once in a lifetime, part of the times, or atypical? Janus would have understood prior period adjustments, although even a deity would have a hard time with the nuances of income tax effects related to the operating loss carry-forwards of purchased subsidiaries. And that two-faced old god who looked backward and forward simultaneously would have a Roman holiday laughing at the efforts of FASB No. 33 to update historic cost to current cost.

Calendars vary with cultures. Mohammedan, Judaic and Oriental calendars differ from the Gregorian which has been almost universally adopted by business around the world. For accounting purposes, however, a reporting year is tied to the specific business as surely as all early calendars were tied to the rhythms of agriculture. A fiscal year frequently can provide more logical and convenient portrayal of a given business than a calendar year, while every now and again neither fiscal or calendar year can give a complete measure of the flow of beginning cash to the end cash results of a business. The Gregorian calendar was satisfactory for early Roman wine drinkers, but they never heard of the aging cycles of modern distilleries, or of burley mellowing slowly in Kentucky's tobacco barns.

Present value concepts further complicate the accountant's truce with time. Years flow by ineluctably, steadily, but the interest rate is erratic. Predicting the value now of a related value in the future is like aiming from a moving ship at a balloon in a gale. But we try. At this time accountants try to reconcile business activities with the calendar by their whole array of depreciation, amortization, prior period and price level adjustments, accruals, deferrals, prepaids, operating cycles and discounted future cash receipts. At this point in the profession's history we are, as always, trying to perfect our practice.

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